

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 FEA-02 FPC-01 H-03 INR-10

INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01

SCI-06 SPC-03 SS-20 STR-08 TRSE-00 DRC-01 /145 W

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R 141935Z MAR 74

FM AMEMBASSY TEGUCIGALPA

TO SECSTATE WASHDC 6553

INFO AMEMBASSY GUATEMALA

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

C O N F I D E N T I A L TEGUCIGALPA 1099

E.O. 11652: GDS

TAGS: ENRG, PINT, HO

SUBJECT: TEXACO AND GOH NEGOTIATE INCREASE IN PETROLEUM PRICES

REF: TEGUCIGALPA 4584 (12/6/73); TEGUCIGALPA 4550 (12/5/73)

SUMMARY: TEXACO AND GOH OFFICIALS CONCLUDED TWO-DAY DISCUSSIONS MARCH 12 ON LATEST REVISION IN PETROLEUM PRICES. PERIODIC PRICE ADJUSTMENTS ARE PART OF FORMULA WORKED OUT BY TEXACO AND GOH IN DECEMBER. GOH CONTEMPLATING SUBSIDY ON GASOLINE PURCHASES FOR LAND TRANSPORT SECTOR. END SUMMARY.

1. TEXACO REPRESENTATIVE, WALLACE MCDONALD, SAID FOLLOWING INCREASES HAD BEEN AGREED UPON BY GOH AND TEXACO: BOTH REGULAR AND SUPREME GASOLINE EX-REFINERY PRICES ARE TO INCREASE 40 CENTAVOS PER GALLON (U.S. \$.20); LPG EX-REFINERY PRICE IS TO INCREASE 5 CENTAVOS PER GALLON (U.S. \$.025); PRICES OF OTHER PETROLEUM DERIVATIVES (DIESEL, KEROSENE, BUNDER, FUEL OIL) WILL NOT INCREASE AT THIS TIME. MCDONALD SAID EX-REFINERY INCREASE IN GASOLINE PRICES WILL NO DOUBT
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BE PASSED DIRECTLY TO CONSUMER; HENCE GASOLINE PUMP PRICES

WILL INCREASE 40 CENTAVOS PER GALLON. HE INTIMATED, HOWEVER, THAT GOH WILL NOT ALLOW LPG EX-REFINERY PRICE INCREASE TO BE PASSED ONWARD TO PUBLIC. EFFECTIVE DATE OF CHANGES IS DEPENDENT UPON SPEED WITH WHICH GOH CAN ISSUE DECREE PUTTING THEM INTO EFFECT; THE TARGET DATE, HOWEVER, IS MARCH 16. HE ADDED THAT INCREASES DESCRIBED ABOVE ARE TEXACO'S UNDERSTANDING OF THE RESULTS OF THE CONVERSATIONS. EXACT DETERMINATIONS WILL HAVE TO AWAIT THE DECREE.

2. MCDONALD CHARACTERIZED THESE REVISIONS AS "COMPROMISE." THE AGREEMENT WORKED OUT IN DECEMBER BETWEEN TEXACO AND THE GOH PROVIDES FOR PERIODIC EX-REFINERY PRICE ADJUSTMENTS BASED ON IMPORT PARITY, HE SAID. THESE LATEST PRICE ADJUSTMENTS FALL BELOW IMPORT PARITY BUT TEXACO HAS AGREED TO ACCEPT THESE LESSER PRICES DURING AN INTERIM PERIOD PROVIDING THE COMPANY WILL BE ALLOWED TO RECUPERATE (E.G., ALLOWED TO CHARGE HIGHER THAN IMPORT PARITY PRICES) AT A LATER TIME. MCDONALD SAID THE AGREEMENT IS THAT BY END OF 1974 TEXACO'S ACCOUNTS ARE TO BE BALANCED OUT, I.E., REFLECT IMPORT PARITY PRICING FOR THE YEAR TAKEN AS A WHOLE. GOH'S REASONING IN AGREEING TO THIS COMPROMISE, HE SAID, IS DESIRE TO ALLOW INTERNAL ECONOMY TO ADJUST TO INCREASED PRICE BURDEN IN STAGES RATHER THAN ALL AT ONCE AS WELL AS HOPE THAT IMPORT PARITY MAY GO DOWN IN FUTURE PERIOD (E.G., AS RESULT OF MAJOR DISCOVERY OF CRUDE DEPOSITS BY OIL PRODUCING NATIONS).

3. MCDONALD ADDED THAT GOH COMTEMPLATING ESTABLISHMENT OF MECHANISM WHEREBY URBAN TRANSPORT SECTOR WOULD BE SUBSIDIZED BY THE GOVERNMENT ON GASOLINE PURCHASES. DETAILS OF THIS IDEA NOT YET WORKED OUT, HE SAID, BUT GOH FEELING PRESSURE FROM LAND TRANSPORT SECTOR WHICH HAS BEEN SERIOUSLY AFFECTED BY INCREASES IN PRICES OF GASOLINE, TIRES, SPARE PARTS. LARGE MEETING OF TRUCK, BUS AND TAXI OWNERS HELD IN SIGUATEPEQUE MARCH 10 RESULTED IN THREAT TO PARALYZE TRANSPORTATION IF GOH DOES NOT OPEN DIALOGUE WITH THEM TO FIND SOLUTION TO THEIR PROBLEMS WITHIN TEN DAYS (COUNTING FROM MARCH 12).
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